

JANUARY 11, 2023

City of Chattanooga

Public Works/Waste Resources Division

Karen Styers

Biosolids Coordinator

Ms. Styers,

Thank you for the opportunity to service the Chattanooga community by delivering biosolids Management beneficial reuse options for your city. Synagro values our partnership and is committed to providing continued excellent service as we move into 2023 and beyond.

The year 2022 saw rapid and unprecedented increases in fuel and other petroleum-based products, specifically in February 2022 as Russia invaded neighboring Ukraine. As a result, Synagro took measures to stabilize customer costs, while maintaining operational integrity for our organization.

As was negotiated in our original contract, we now request the contractually authorized Fuel Surcharge Adjustments, specified in our agreement on November 8, 2021 per the bid submitted on October 6, 2021, with the protection of quarterly fuel surcharges, using a base fuel rate of **\$3.14/gal for No. 2 Diesel** (see Figure 1.) The following analysis outlines our calculations of Fuel Surcharges since the contract inception, and associate price adjustments.

Figure 1

Sourcekey	EMM_EPMPR_PTE_R30_DPG	EMD_EP2D_PTE_R30_DPG	EMD_EP2DXL0_PTE_R30_DPG	
	Weekly Gulf Coast Premium Reformulated Retail Gasoline Prices (Dollars per Gallon)	Weekly Gulf Coast No 2 Diesel Retail Prices (Dollars per Gallon)	Weekly Gulf Coast No 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices (Dollars per Gallon)	
Date				
Aug 30, 2021	3.338	3.06	3.06	
Sep 06, 2021	3.413	3.104	3.104	
Sep 13, 2021	3.365	3.099	3.099	
Sep 20, 2021	3.339	3.119	3.119	
Sep 27, 2021	3.404	3.142	3.142	Base price used in contract - bid due Oct. 6, 2021
Oct 04, 2021	3.374	3.203	3.203	
Oct 11, 2021	3.481	3.335	3.335	
Oct 18, 2021	3.485	3.422	3.422	
Oct 25, 2021	3.612	3.483	3.483	
Nov 01, 2021	3.604	3.486	3.486	
Nov 08, 2021	3.688	3.482	3.482	PO issued to Synagro 11/08/2021
Nov 15, 2021	3.645	3.474	3.474	
Nov 22, 2021	3.594	3.457	3.457	
Nov 29, 2021	3.534	3.454	3.454	
Dec 06, 2021	3.553	3.402	3.402	
Dec 13, 2021	3.5	3.372	3.372	

The Purchase Order PA100046 was issued by the City of Chattanooga on 11/8/2021. Synagro began the planning & procurement necessary to begin hauling services in April 2022, consistent with information in the bid documents. The language in the contract and timing of the bid & subsequent start date implied a quarterly adjustment on January 1, 2022 and again on April 1, 2022. The chart below shows the adjustment periods, along with the percent adjustment per the USDOE EIA Gulf Coast weekly averages. (Figure 2.)

Figure 2

Sourcekey	EMM_EPMPU_PTE_R30_DPG	EMM_EPMPR_PTE_R30_DPG	EMD_EP2D_PTE_R30_DPG	EMD_EP2DXL0_PTE_R30_DPG	
	Gulf Coast Premium Conventional Retail Gasoline Prices (Dollars per Gallon)	Gulf Coast Premium Reformulated Retail Gasoline Prices (Dollars per Gallon)	Gulf Coast No 2 Diesel Retail Prices (Dollars per Gallon)	Gulf Coast No 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices (Dollars per Gallon)	
Date					
Apr-2021	3.257	3.114	2.925	2.925	
May-2021	3.353	3.242	2.995	2.995	
Jun-2021	3.404	3.3	3.04	3.04	
Jul-2021	3.494	3.362	3.08	3.08	
Aug-2021	3.49	3.381	3.07	3.07	
Sep-2021	3.499	3.38	3.116	3.116	
Oct-2021	3.633	3.488	3.361	3.361	Data not available by Oct. 6 due date
Nov-2021	3.723	3.613	3.471	3.471	*Sept. 30, 2021 - \$3.142 used in bid
Dec-2021	3.631	3.512	3.361	3.361	
Jan-2022	3.655	3.527	3.463	3.463	10%
Feb-2022	3.876	3.769	3.804	3.804	Q1 fuel component increase
Mar-2022	4.601	4.469	4.937	4.937	
Apr-2022	4.477	4.318	4.885	4.885	55%
May-2022	4.77	4.7	5.248	5.248	Q2 fuel component increase
Jun-2022	5.263	5.238	5.393	5.393	
Jul-2022	4.84	4.728	5.135	5.135	63%
Aug-2022	4.256	4.121	4.706	4.706	Q3 fuel component increase
Sep-2022	3.945	3.785	4.717	4.717	
Oct-2022	4.005	3.814	4.885	4.885	55%
Nov-2022	3.866	3.686	4.826	4.826	Q4 fuel component increase (decreases from Q3)
Dec-2022	3.512	3.365	4.309	4.309	



As shown in Figure 2, the quarterly adjustments from base fuel would be applied to the **fuel components**, line items 10 - 16 in the contract, beginning January 1, 2022 with surcharges of 10%, 55%, 63%, and 55% for the respective Quarters 1 to 4. January 1, 2023 will represent another adjustment, to be determined after the EIA publishes the final December weekly average data.

As such, Synagro will prepare and submit corrective invoices for the months April 2022 to November 2022. Synagro operated at significant operating deficiencies due to the fuel price escalation during these months, and now that terms have stabilized seeks the adjustment due per the contract to make it whole per the terms of the agreement. The total surcharge for this period is **\$222,181.95 (see Figure 3)**. We will prepare the statements clearly identifying each month's surcharge and the support for calculations.

Figure 3

CHATTANOOGA FUEL SURCHARGES					GULF COAST			
BASE RATE 3.142								
MONTH	ITEM	TONS	RATE	TOTAL	DIESEL RATES	% FUEL INCREASE	SURCHARGE AMOUNT	\$ TO BE INVOICED
APRIL	COPPERHILL	582.77	\$6.19	\$3,607.35	\$4.8850	55.47	\$3.43	\$2,000.99
APRIL	LAND APP 51-75	3671.78	\$8.67	\$31,834.33	\$4.8850	55.47	\$4.81	\$17,658.50
MAY	COPPERHILL	1254.61	\$6.19	\$7,766.04	\$4.8850	55.47	\$3.43	\$4,307.82
MAY	LANDFILL	367.42	\$3.92	\$1,440.29	\$4.8850	55.47	\$2.17	\$798.93
MAY	LAND APP 51-75	4491.44	\$8.67	\$38,940.78	\$4.8850	55.47	\$4.81	\$21,600.45
JUNE	COPPERHILL	964.78	\$6.19	\$5,971.99	\$4.8850	55.47	\$3.43	\$3,312.66
JUNE	LAND APP 51-75	4313.72	\$8.67	\$37,399.95	\$4.8850	55.47	\$4.81	\$20,745.75
JULY	LANDFILL	79.78	\$3.92	\$312.74	\$5.1350	63.43	\$2.49	\$198.37
JULY	LAND APP 51-75	6874.27	\$8.67	\$59,599.92	\$5.1350	63.43	\$5.50	\$37,804.23
AUG	COPPERHILL	167.49	\$6.19	\$1,036.76	\$5.1350	63.43	\$3.93	\$657.62
AUG	LANDFILL	1225.92	\$3.92	\$4,805.61	\$5.1350	63.43	\$2.49	\$3,048.20
AUG	LAND APP 0 - 50	5399.83	\$7.64	\$41,254.70	\$5.1350	63.43	\$4.85	\$26,167.86
AUG	LAND APP 51-75	1155.04	\$8.67	\$10,014.20	\$5.1350	63.43	\$5.50	\$6,352.01
SEPT	LANDFILL	72.67	\$3.92	\$284.87	\$5.1350	63.43	\$2.49	\$180.69
SEPT	LAND APP 0 - 50	6254.67	\$7.64	\$47,785.68	\$5.1350	63.43	\$4.85	\$30,310.46
OCT	LANDFILL	35.05	\$3.92	\$137.40	\$4.8850	55.47	\$2.17	\$76.21
OCT	LAND APP 0 - 50	5655.8	\$7.64	\$43,210.31	\$4.8850	55.47	\$4.24	\$23,968.76
NOV	LANDFILL	37.3	\$3.92	\$146.22	\$4.8850	55.47	\$2.17	\$81.11
NOV	LAND APP 0 - 50	2201.82	\$7.64	\$16,821.90	\$4.8850	55.47	\$4.24	\$9,331.11
NOV	LAND APP 51 - 75	2284.51	\$8.67	\$19,806.70	\$4.8850	55.47	\$4.81	\$10,986.78
NOV	LAND APP OVER 75	482	\$9.70	\$4,675.40	\$4.8850	55.47	\$5.38	\$2,593.44
TOTAL								\$222,181.95



December's invoice will include the corrected surcharge on the regular statement. January information is being prepared and will result in a new adjustment as specified in the contract documents.

Thank you for your time in addressing this matter and for your continued business. Please contact us as we are happy to discuss this further, and provide further documentation as requested.

Regards,

Lee Vernon

Lee Vernon

Synagro

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